This listing of claims will replace all prior versions, and listings of claims in the application.

LISTING OF CLAIMS:

1. (Currently Amended) A computer-implemented method, executed in a first computer operated by an incentive administrator that is coupled to a second computer operated by a payer and a third computer operated by a healthcare provider, of providing a monetary incentive payable to the healthcare provider upon completion of a course of treatment for a patient with a condition during an episode of care, the method comprising the steps of:

creating an initial baseline value related to treatment of the condition;

receiving over the computer network from the payer a diagnosis of the patient performed by the healthcare provider and provided by the healthcare provider to the payer, along with an associated cost quantified by the initial baseline value;

creating an episode of care based upon the diagnosis of the healthcare provider and a decided course of treatment for the condition;

verifying that the episode of care is not an outlier case representing an extreme condition that costs significantly more than the cost associated with the initial baseline value;

verifying that the episode of care is not subject to gaming effects;

summing a plurality of claims processed during the episode of care of the patient for the condition to obtain a total treatment cost;

adjusting the initial baseline value by factoring in ~~cost offsets due to inflation and technological advances to establish a prospective cost for the decided course of treatment, and by factoring in one or more historically derived severity factors~~ any effects due to comorbidity to derive an adjusted baseline value;

determining if the total treatment cost is less than the adjusted baseline value, thus resulting in a cost savings for the decided course of treatment;

causing a portion of the cost savings to be sent to the healthcare provider in the form of ~~the~~ a targeted monetary incentive that is individually calculated based on the episode of care, and correlated to the total treatment cost ~~for purposes of improving utilization of~~

~~healthcare services in the decided course of treatment relative to utilization of healthcare services quantified by the initial baseline value~~; and

determining a portion of the cost savings to be retained by the incentive administrator.

2. (Currently Amended) A computer-implemented method according to claim 1 wherein ~~the decided course of treatment is selected from the group consisting of diagnostic tests, prescribed drugs, practitioner office visits, professional fees, equipment operating costs, and medical procedures; and wherein the healthcare services comprise at least one of diagnostic tests, drug prescriptions, subsequent hospital visits, and additional practitioner diagnosis.~~ the initial baseline value represents a typical cost for providing treatment for the episode of care.

3. (Currently Amended) A computer-implemented method according to claim ~~1~~ 2 wherein the payer comprises an insurance company~~, and wherein the initial baseline value is derived from historical data relating to normal operating policies of the insurance company~~.

4-6. (Cancelled)

7. (Currently Amended) A computer-implemented method according to claim 1 ~~wherein the severity factors include at least one of the age of the patient, pre-existing conditions of the patient, comorbidity effects, drug interactivity, presence of diagnosis codes, and defining procedures.~~ further comprising the step of providing post analysis comparative data to the healthcare provider, the post analysis comparative data containing suggestions on how services can be provided in a more cost-effective manner.

8. (Previously Presented) A computer-implemented method according to claim 1 wherein during the treatment of the patient for the condition during the episode of care the patient encounters an additional condition that creates another episode of care and the step of adjusting the initial baseline value further includes the step of factoring in the additional condition, the method further including the steps of:

associating another baseline value related to the treatment of the additional condition, the another baseline value being adjusted to account for the condition;

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost; and

determining another monetary incentive to provide to the healthcare provider if the another total treatment cost is less than the another baseline value.

9. (Currently Amended) A computer-implemented method according to claim 1 ~~wherein the process of adjusting the initial baseline value by factoring in one or more historically derived severity factors comprises applying one or more business rules quantifying how the severity factors affect treatment costs for the condition~~. further comprising determining a factor for calculating a partial incentive payment in the event the patient does not complete the course of treatment.

10-15. (Canceled)

16. (Previously Presented) A computer-implemented method according to claim 3 where the step of creating the initial baseline value establishes the initial baseline value using a plurality of data relating to a plurality of previous episodes of care for the same condition.

17. (Previously Presented) A computer-implemented method according to claim 16 wherein prior to the step of creating the initial baseline is the step of filtering to remove outlier episodes of care for the same condition to thereby establish the plurality of data relating to a plurality of previous episodes of care for the same condition.

18 – 30. (Cancelled)

31. (Withdrawn) A method of operating upon claims for services rendered to a plurality of patients for the treatment of a plurality of conditions comprising the steps of:

receiving a plurality of claims for a plurality of patients; filtering the received plurality of claims for services rendered to patients over a period of time so that each filtered claim includes at least a patient identifier and a procedure code indicating the procedure performed, there being a plurality of procedure codes available for assigning;

grouping the filtered claims to determine those claims corresponding to an episode of care for a condition for which each patient is being treated;

for each episode of care, assigning a episode payment group code to each claim that has been grouped to correspond to that episode of care, the episode payment group indicating the condition for which the patient is being treated;

for each episode of care, determining whether that episode of care is completed; and

providing a list of completed episodes of care.

32. (Withdrawn) A method according to claim 31 wherein certain claims include an identification of a provider who ordered at least certain of the procedures; and

further including the step of determining a responsible provider for each completed episode of care.

33. (Withdrawn) A method according to claim 32 wherein a plurality of providers ordered procedures for at least one of the completed episodes of care and wherein the steps of determining the responsible provider includes the step of reconciling which if any of the plurality of providers who ordered procedures are the responsible provider.

34. (Withdrawn) A method according to claim 33 further including the step of determining whether the responsible provider is entitled to a monetary incentive for each corresponding completed episode of care.

35. (Withdrawn) A method according to claim 34 wherein at least one of the claims relating to the at least one completed episode of care also contains an initial diagnosis code, and the at least one claim is used in determining the amount of the monetary incentive for the responsible provider for that at least one episode of care.

36. (Withdrawn) A method according to claim 35 wherein the at least one claim is used to determine a diagnosing provider, and wherein if the responsible provider is the same as the diagnosing provider, then the responsible provider receivers a greater incentive than if the responsible provider is not the same as the diagnosing provider.

37. (Withdrawn) A method according to claim 31 wherein the step of filtering includes the steps of:

removing any multiple claims; and

identifying claims corresponding to a previously completed episode of care; and

38. (Withdrawn) A method according to claim 31 further including the step of determining whether the submitted claims for any patient are indicative of gaming.

39 (Withdrawn) A method according to claim 38 wherein the step of determining includes a step of checking for the presence of a serial episode.

40. (Withdrawn) A method according to claim 39 wherein the step of determining includes a step of checking for diagnosis upcoding.

41. (Withdrawn) A method according to claim 31 wherein the step of filtering includes the step of checking for claims containing procedures for which treatment is not allowed for the condition.

42. (Withdrawn) A method according to claim 31 further including the steps of:

further processing the claims related to each completed episode of care to determine a total cost for each completed episode of care;

comparing a total cost for each completed episode of care with a baseline value to obtain a savings for each completed episode of care; and

determining an incentive for the responsible provider associated with each episode of care using the determined savings .

43. (Withdrawn) A method according to claim 42 wherein the baseline value is adjusted for comorbidity.

44. (Withdrawn) A method according to claim 42 wherein the baseline value is pro-rata adjusted to take into account an actual length of the episode of care.

45. (Withdrawn) A method according to claim 44 wherein the actual length of the episode of care is compared with an average length for that type of episode of care to determine the pro-rata adjustment.

46. (Withdrawn) A method according to claim 42 wherein the incentive is determined to be zero if gaming is detected.

47. (Withdrawn) A method according to claim 42 wherein the incentive is determined to be zero if the episode of care was for an emergency room procedure.

48. (Withdrawn) A method according to claim 42 wherein the incentive is determined to be zero if an outlier indicator is set.

49. (Withdrawn) A method of automatically processing a plurality of claims data for a patient treated for a condition to determine a responsible provider for an episode of care comprising:

identifying a plurality of physicians who ordered procedures for the patient;

identifying a defining procedure for the condition if the defining procedure exists;

assigning as the responsible provider that physician who performed the defining procedure if the defining procedure exists; and

if the defining procedure does not exist, then assigning as the responsible provider that physician who was responsible for incurring a predetermined percentage of costs for the episode of care.

50. (Withdrawn) A method according to claim 49 further including the step of checking whether the responsible provider also performed a termination procedure associated with the condition to verify the responsible provider designation.

51. (Withdrawn) A method according to claim 49, wherein, if there was no provider responsible for the predetermined percentage of costs, then assigning as the responsible provider that provider who was responsible for incurring a second predetermined percentage of costs for the episode of care that is less than the predetermined percentage of costs and was responsible for an initial diagnosis of the condition.

52. (Withdrawn) A method of claim 51 wherein the predetermined percentage of costs is 85% and the second predetermined percentage is 50%.

53. (Withdrawn) A method according to claim 49, wherein, if there was no provider responsible for the predetermined percentage of costs, then assigning as the responsible provider that provider who was responsible for incurring a second predetermined percentage of costs for the episode of care that is less than the predetermined percentage of costs and was a physician specialist who was the first to bill the patient.

54. (Withdrawn) A method according to claim 49, further including the step of wherein the predetermined percentage is 85%.

55. (Currently Amended) An apparatus for determining an amount of a monetary incentive, as determined by an incentive administrator and payable to a physician responsible for treatment decisions of a patient with a condition during an episode of care comprising:

a first computer system operated by the incentive administrator, including:

means for creating an initial baseline value related to the treatment of the condition;

means for receiving from a second computer system operated by a payer communicably coupled to the physician, data including the patient identity and the condition of the patient as diagnosed by the physician, along with an associated cost quantified by the initial baseline value;

means for creating an episode of care based upon the diagnosis and a decided course of treatment;

means for summing a plurality of claims processed during the episode of care of the patient for the condition to obtain a total treatment of cost;

means for verifying that the episode of care is not an outlier case representing an extreme condition that costs significantly more than the cost associated with the initial baseline value;

means for verifying that the episode of care is not subject to gaming effects;

means for adjusting the initial baseline value by factoring in cost offsets due to ~~inflation and technological advances to establish a prospective cost for the decided course of treatment, and by factoring in one or more historically derived severity factors to derive an adjusted baseline value~~ comorbidity effects;

means for determining if the total treatment cost is less than the adjusted baseline value, thus resulting in a cost savings for the decided course of treatment; and

means for determining a first percentage of the cost savings to be paid to the physician as a targeted monetary incentive that is individually calculated based on the episode of care, and correlated to the total treatment cost ~~for purposes of improving utilization of healthcare services in the decided course of treatment relative to utilization of healthcare services quantified by the initial baseline value~~, and a second percentage of the cost savings to be retained by the incentive administrator.

56 – 58. (Cancelled)